

EXHIBIT B
PROJECT AGREEMENT NO. 1

To: Mr. Steve Bellissimo
Phoenix Marketing & Research, Inc.
4132 Sunrise Highway
Oakdale, New York 11769

From: Mr. Jose Fontanez
Philip Morris Incorporated
120 Park Avenue
New York, New York 10017

Dear Mr. Bellissimo:

This Project Agreement No. 1 (the "Project Agreement") is entered pursuant to the Agreement dated as of the 1st day of February, 1995 (the "Agreement") by and between Phoenix Marketing & Research, Inc. ("Phoenix") and Philip Morris Incorporated ("Philip Morris"). It sets forth the terms and conditions under which Phoenix will render services beginning as of March 1, 1995 and continuing through the later of completion of the Project or December 31, 1995.

1. Phoenix will perform the following services and the services set forth in Paragraph 1 of the Agreement (the "Project"). Phoenix will provide: (i) Pack Sale Services from MARLBORO promotional kiosks and tents at Community Marketing Events set forth in Attachment A or as otherwise designated by Philip Morris; (ii) Distribution Services at Philip Morris' promotional kiosks or other sites at the locations and on the dates set forth in Attachment A and as otherwise designated by Philip Morris; and (iii) Distribution Services and Module Services at MARLBORO Bar Nights ("MARLBORO Country Nights") in areas and at the locations set forth in Attachment B on the dates designated by Philip Morris and as otherwise designated by Philip Morris.

(a) Phoenix will coordinate with Philip Morris representatives, and other third parties designated by Philip Morris when rendering services at Community Marketing Events and MARLBORO Country Nights.

(b) When performing Pack Sale Services, Phoenix will perform Distribution Services at redemption levels designated or approved in advance by Philip Morris. Phoenix will submit to Philip Morris the following written reports upon the completion of every Community Marketing Event and MARLBORO Country Night: (i) merchandise inventory summary; (ii) pack sales summary; and (iii) labor time sheets. Each report must be in a form designated or approved in advance by Philip Morris.

(c) Phoenix will ensure that product, merchandise and incentive items are shipped from the Philip Morris warehouse and delivered to the promotional kiosks and tents and

2070872743

MARLBORO Country Night locations if and when requested by Philip Morris. Phoenix will secure a central storage space for promotional and other materials for all Community Marketing Events and MARLBORO Country Nights, and will store, maintain and transport the promotional and other materials in a safe and secure manner.

(d) Phoenix will provide no fewer than two experienced installation supervisors satisfactory to Philip Morris at each Community Marketing Event to coordinate the set-up and striking of exhibits.

(e) Phoenix will provide the number of Staff members requested by Philip Morris to perform Community Marketing Event services at each location.

(f) Phoenix will serve as the licensed cigarette vendor at each Community Marketing Event location and will secure state and local licenses, if necessary, order product, timely pay state and local taxes and maintain detailed and accurate records. Phoenix will conduct pack sales at a price equal to the cost of the cigarettes to Phoenix plus applicable state and local taxes, and Phoenix will collect and remit the applicable state and local tax. Phoenix will deliver the proceeds generated by pack sales to Philip Morris. Phoenix will maintain a separate bank account in connection with this Project Agreement No. 1 and will deliver monthly copies of monthly bank statements to Philip Morris on or before the 30th day of each month throughout the term of this Project Agreement.

(g) Phoenix will provide the number of Staff members requested by Philip Morris (the "MARLBORO Country Night Staff") to perform Distribution and Module Services at MARLBORO Country Nights on Thursday, Friday, and Saturday nights in the locations set forth in Attachment B on the dates designated by Philip Morris and as otherwise designated by Philip Morris. There will be a total of 381 MARLBORO Country Nights. The duration of each MARLBORO Country Night will be no fewer than six consecutive hours. All materials and merchandise for MARLBORO Country Nights will be provided by Philip Morris.

2. In consideration for the services rendered by Phoenix throughout the term of this Project Agreement, Philip Morris will pay Phoenix as follows:

(a) For the management and administrative services rendered in connection with this Project Agreement, Philip Morris will pay Phoenix a management fee of \$175,792.84 as follows: Philip Morris will pay Phoenix \$17,579.28 each month beginning on the first day of each month beginning March 1, 1995 through November 1, 1995 and a final payment of \$17,579.28 upon Phoenix's complete performance of the Project to the satisfaction of Philip Morris.

(b) For all other services rendered hereunder, Philip Morris will pay Phoenix in accordance with the Fee Schedule set forth in Attachment C. Total Staff-hours of services performed will not exceed 24,612 hours without the prior, written approval of Philip Morris.

(c) Total payments to Phoenix for services through the term of this Project Agreement shall not exceed \$551,392.84 without the prior, written approval of Philip Morris.

2070872744

If and when Philip Morris requests additional services or modifies the Project, Phoenix will deliver to Philip Morris for its approval a Project Change notice, which will include an estimate of anticipated fees and expenses.

3. Philip Morris will reimburse Phoenix, at cost, for reasonable, competitively priced expenses incurred in providing services, up to a maximum of \$375,600.00. Expenses included within the budget set forth in Attachment D are presumptively reasonable and competitively priced. Phoenix may not apply funds allocated to one budget category to expenses incurred in another category without the prior, written approval of Philip Morris. Expenses in excess of \$250 which are not included in the schedule of fees and expenses must be approved in advance by Philip Morris.

4. Phoenix may invoice Philip Morris on or after the first of each month during the term of this Project Agreement for services and expenses as follows:

(a) the allocable portion of the management fee as set out in Paragraph 2(a) hereof, provided that the portion allocated to the final payment may not be included in any invoice prior to December 1, 1995;

(b) the number of Staff-hours actually worked during the preceding month in performance of the services multiplied times the applicable rate set forth in the Schedule of rates. Each invoice must be supported by actual time sheets indicating services rendered and actual Staff-hours worked;

(c) reimbursable expenses incurred during the preceding month in providing the services. Each invoice must be supported by receipts for expenses in excess of \$25.

Philip Morris will pay all proper invoices within ten days of receipt.

5. This Project Agreement shall commence on the 1st day of March, 1995 and will continue through the later of December 31, 1995 or the satisfactory completion of the Project. Philip Morris may terminate this Project Agreement, with or without cause, on thirty days' advance written notice to Phoenix. If Philip Morris terminates this Project Agreement without cause, Philip Morris will have no liability to Phoenix with the exception of payment of fees earned for services satisfactorily performed and documented expenses properly incurred or binding obligations properly undertaken by Phoenix in connection with this Project Agreement prior to termination. Philip Morris will pay Phoenix or reimburse expenses within ten days of Philip Morris's receipt of documentation, in a form satisfactory to Philip Morris.

6. This Project Agreement may be amended only by a Project Change notice signed by both parties.

7. This Project Agreement is subject to the terms and conditions of the Agreement. In the event of conflict between the provisions, the Agreement will prevail.

If the foregoing accurately sets forth our agreement, please signify your acceptance and agreement by signing the enclosed copy of this Project Agreement No. 1 and returning it to the undersigned.

Very truly yours,

PHILIP MORRIS INCORPORATED

By: _____

Title: _____

ACCEPTED AND AGREED:

PHOENIX MARKETING &
RESEARCH, INC.

By: _____

Title: _____

2070872746

2070872747

ATTACHMENT A

Community Marketing Events

2070872748

ATTACHMENT B

MARLBORO Country Nights

ATTACHMENT C

Fee Schedule

Community Marketing Events &	18,612 hours at \$14.50 per hour	\$269,874.00
MARLBORO Country Nights	6,000 hours at \$14.50 per hour	<u>87,000.00</u>
Total:	24,612 hours	\$356,874.00

2070872749

ATTACHMENT D

Expense Budget: Community Marketing Events & MARLBORO Country Nights

Air Travel	\$ 45,200.00
Rentals	54,600.00
Shipping	27,000.00
Drayage	52,500.00
Manager Hotel/Food Expense	93,000.00
Storage	62,300.00
Telecommunications	10,000.00
Miscellaneous Expenses:	31,000.00
Gas	
Tolls	
Parking	
Taxis	
Copies & Faxes	
Cleaning Supplies	
Misc. Rentals	
Maintenance Supplies	
Tools	
Accounting Fees	
In-Field Office Supplies, etc.	

TOTAL \$375,600.00

2070872750

EXHIBIT C
MARLBORO SAMPLING PROGRAM
TRAINING MANUAL

2070872751